



CONIFEX

Conifex Timber Inc.

2023 Report

Fighting Against Forced Labour and Child Labour in Supply Chains Act



Overview

Conifex Timber Inc. ("**Conifex Timber**") and its wholly-owned subsidiary Conifex Mackenzie Forest Products Inc. ("**Conifex Mackenzie**" and together with Conifex Timber, the "**Conifex Reporting Entities**", "**Conifex**", "**we**" or "**our**") are producing this joint report (this "**Report**") in accordance with Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**") for the financial year ended December 31, 2023. Conifex does not report under supply chain legislation in other jurisdictions. The information provided herein generally applies to each Conifex Reporting Entity unless otherwise specified. In preparing this Report, we consulted with key applicable personnel at each Conifex Reporting Entity. All information presented in this Report is current as of the date set forth above unless otherwise indicated.

Conifex is committed to continuous improvement in everything we do, with health and safety being a top priority. We conduct our business with integrity and transparency, striving to promote human rights throughout our business. We are committed to ensuring that forced labour and child labour ("**Modern Slavery Risks**") are absent from our supply chains.

This Report sets out the actions that Conifex has taken to identify and understand Modern Slavery Risks related to its business and describes the policies and processes that it has in place to combat these potential risks in our business and supply chains.

About Conifex

Structure

Conifex Timber is a British Columbia-based forestry and independent power company operating in lumber and bioenergy. Conifex Timber is incorporated under the federal laws of Canada and Conifex Mackenzie is incorporated under the provincial laws of British Columbia. Conifex's head office is located at Suite 980 – 700 West Georgia Street, Vancouver, BC V7Y 1B6. Conifex Timber's common shares are listed on the Toronto Stock Exchange under the symbol "CFF".

Conifex Timber's principal subsidiaries are as follows:

Name	Jurisdiction of Formation	Percentage owned
Conifex Power Inc. ⁽¹⁾	British Columbia	100%
Conifex Power Limited Partnership	British Columbia	100%
Conifex Mackenzie Forest Products Inc. ⁽²⁾	British Columbia	100%
Conifex Fibre Marketing Inc. ⁽³⁾	British Columbia	100%

Notes:

- (1) Conifex Power Inc. is the general partner of Conifex Power Limited Partnership, which operates a 35-megawatt biomass power generation plant in Mackenzie, British Columbia ("**Power Plant**").



- (2) Conifex Mackenzie Forest Products Inc. holds a forest licence with an allowable annual cut ("AAC") of 632,000 cubic metres and operates a two-line sawmill in Mackenzie, British Columbia ("Mill").
- (3) Conifex Fibre Marketing Inc. is primarily engaged in the marketing and distribution of Conifex-produced lumber and wood chips.

As of December 31, 2023, Conifex had 259 employees, of whom 188 are Canadian unionized employees. The United Steelworkers represents our unionized employees. Of our employees, 216 were employed in our lumber operations and 43 were employed in our bioenergy operations. All employees directly employed by Conifex are located in British Columbia, Canada.

Conifex uses contractors in a variety of its business areas, as its needs may require, including timber harvesting, transportation and manufacturing.

For further information regarding Conifex, please refer to Conifex Timber's most recent Annual Information Form, a copy of which is available on its website at <https://conifex.com/investors/financial-information/>.

Activities

Our primary business includes timber harvesting, reforestation, forest management, processing logs into lumber and wood chips, value added lumber finishing and production of electricity for external sale and internal supply, all of which takes place in British Columbia, Canada. Conifex sells its logs and wood chips in Canada and to international markets.

Supply Chains

Conifex holds a forest licence in the timber supply area in and around Mackenzie, British Columbia (the "**Mackenzie TSA**") with an AAC of 632,500 cubic metres from which Conifex sources the majority of its fibre. Conifex also owns 50% of a joint venture, which holds a forest licence with an AAC of 300,000 cubic meters in the Mackenzie TSA. Conifex may source additional fibre through open market transactions with the following partners:

- First Nations (various forms of Crown tenures issued to First Nations groups);
- community forests (area-based Crown tenures issued to qualifying communities);
- woodlots (area-based Crown tenures issued to qualifying individuals); and/or
- purchasing standing timber through BC Timber Sales (Crown managed and auction-based).

Our operating areas within the Mackenzie TSA are comprised primarily of the following timber profiles: spruce, lodgepole pine and balsam fir. Conifex employs unionized employees and engages contractors to perform its harvesting activities. Harvesting is completed by various local contractors that employ Canadian based personnel.



Once harvested or otherwise sourced, logs are sorted according to species, size and grade and transported to our Mill in Mackenzie, British Columbia. Logs are largely transported by rail and/or by truck, using contracted transportation services.

Our Mill has approximately 240 million board feet of annual kiln-dried lumber capacity on a two-shift basis. Our lumber manufacturing operations are dependent on the consistent supply of affordable sawlog fibre. Wood fibre is the single largest input cost and typically accounts for a majority of the cost of producing lumber. Our forestry group is responsible for sourcing an adequate supply of suitable logs for our Mill at an affordable cost. We approximate that our Mill requires 800,000 cubic metres of sawlog fibre annually to sustain our operations. All lumber manufacturing is conducted at our Conifex-owned sawmill by unionized employees in BC.

In 2023, our Mill produced approximately 155.8 million board feet of finished lumber. The process of manufacturing lumber results in approximately 50% of each sawlog producing lumber and 50% ending up as by-products or residuals, such as wood chips, trim blocks, sawdust, shavings and bark. We sell wood chips produced at our Mill to third parties pursuant to residual chip supply agreements.

We carry out our forest management responsibilities through a team of forest professionals that oversee a wide range of activities, including resource planning, road and bridge building, harvesting, reforestation, forest protection and environmental certification. We use independent logging contractors to carry out harvesting and associated road and bridge building activities in the Mackenzie TSA. We consistently monitor our contractors' performance for compliance with our standards and relevant legislation. This includes assessing whether the contractors within our supply chains are subject to Modern Slavery Risks.

Conifex primarily sells its lumber products in the United States, Canada, and Japan. The majority of our lumber from the Mill is transported to the United States and Canada via rail, with the remaining portion shipped by truck. For customers in Japan, we transport lumber in containers via ocean-going vessels.

Conifex's domestic and export lumber products are marketed by two separate third party sales agents, which are both based in Vancouver, British Columbia. Our export agent has an office and staff located in Tokyo, Japan. Our export sales into the Japanese and Philippine markets are serviced from our agents' Vancouver sales office, where they sell our lumber directly to large Japanese and Philippine companies. North American lumber sales are made by our domestic sales agent directly to select customers, including major lumber retailers, pro-dealers, remanufacturers and wholesalers.



Conifex's locations in the interior of British Columbia allow for efficient, cost-effective access to rail and port infrastructure for lumber shipments into North American and domestic world markets. Most lumber shipments to North American customers are made by rail and truck. For export markets, Conifex's shipments are completed by vessel, including shipping containers.

We also operate our Power Plant in Mackenzie, located at the site of our Mill. Our Power Plant uses the main portion of sawdust, shavings and bark from our Mill to produce renewable energy through steam generated out of a fluidized bed boiler that powers a steam turbine. The power generated supplies power to the plant and our Mill and the remaining power generated is sold to British Columbia Hydro and Power Authority under an Electricity Purchase Agreement. Our Power Plant's output capacity is in excess of 230 gigawatt hours of electricity per year. All employees involved in the Power Plant are Canadian based and primarily unionized employees.

Policies and Due Diligence Processes

Policies

In the financial year ended December 31, 2023, Conifex referred to its Code of Business Conduct and Ethics (the "**Code of Conduct**") to mitigate Modern Slavery Risks in its business and supply chains:

- *Code of Business Conduct and Ethics*: Conifex is committed to the highest ethical standards for conducting its business. The Code of Conduct sets out Conifex's core values and the expectation that each of Conifex's directors, officers and employees adheres to the highest ethical standards in carrying out his or her duties on behalf of Conifex. The Code of Conduct also requires all of Conifex's representatives to comply with applicable laws, rules and regulations in the jurisdictions in which Conifex operates, including those relating to preventing Modern Slavery Risks. All reported violations of the Code of Conduct are to be reported to the Chair of Conifex's Corporate Governance and Human Resources Committee. The Code of Conduct is available on Conifex's website at <https://conifex.com/governance/#policies>.

As part of its action plan to mitigate Modern Slavery Risks in its supply chains, Conifex has enacted the following policies subsequent to the financial year ended December 31, 2023:

- *Partner and Supplier Code of Conduct*: Conifex's Partner and Supplier Code of Conduct (the "**Supplier Code**") requires each supplier to adhere to our principles and requirements. The Supplier Code outlines our human rights and labor requirements, which stipulates that no supplier may resort to forced or child labour. We expect our suppliers to require the same compliance from their partners, suppliers, personnel and sub-contractors. The Supplier Code is available on Conifex's website at <https://conifex.com/governance/#policies>.
- *Human Rights Policy*: Conifex's Human Rights Policy (the "**Human Rights Policy**")



reflects our values on, and commitment to, protecting and striving to advance human rights across our operations. Specifically, the Human Rights Policy states that we do not tolerate child labour, forced labour, slavery or human trafficking. In support of this commitment, we expect all employees at all levels and our business partners to align their actions accordingly. The Human Rights Policy is available on Conifex's website at <https://conifex.com/governance/#policies>.

Due Diligence Processes

Conifex also mitigates Modern Slavery Risks in its business and supply chains through certain mandated due diligence processes.

As part of its standard recruitment and hiring process, Conifex conducts background checks and verifies identification for prospective employees. Conifex also requires that new employees receive mandatory training on the Code of Conduct and, upon adoption of the Human Rights Policy, training thereon as part of the onboarding process. Additionally, employees are required to confirm, on an annual basis, that they have reviewed the Code of Conduct, and are adhering to its principles.

Conifex also employs due diligence processes in specific circumstances to mitigate Modern Slavery Risks within its supply chain. These processes include:

- when entering into new supplier contracts with third parties for significant capital projects, requiring suppliers and service providers to undertake request for proposal or request for quote processes, which helps Conifex further evaluate its suppliers and service providers based on specified criteria, including those pertaining to Modern Slavery Risks;
- performing regular inspections of our forest service contractors' performance to help verify that contractors are meeting our operational expectations and complying with applicable laws, including those pertaining to Modern Slavery Risks;
- for our shipment needs, seeking partnerships with large, well-known shipping and logistics partners with a proven track record of performance. Additionally, Conifex performs due diligence on its prospective shipping and logistics partners to evaluate their suitability through site visits, credit and supply chain reference checks and other steps to evaluate their business assets and credibility; and
- reviewing sanctions and other lists compiled by governmental and non-governmental organizations to identify jurisdictions and entities that have heightened Modern Slavery Risks.

Furthermore, Conifex has in place a contract management policy that helps to verify that its contractual arrangements with suppliers and service providers are appropriately reviewed and contain appropriate representations, warranties and covenants regarding their compliance with



applicable law in the course of performing their duties for Conifex.

Risk Assessment

We do not consider our owned operations to carry Modern Slavery Risks, given our workforce location and human resources policies and procedures. The employees within our operations work predominantly in Canada, which has a low prevalence of Modern Slavery Risks, a low risk of vulnerability thereto and a robust government response thereto.

Conifex organizes shipments of its products to export markets beyond Canada and the US, with Japan being the primary destination. In some cases, third parties manage the sale of these products upon shipment, or Conifex may contract third parties to market and sell its products to export markets, including the US and Japan. Consequently, Conifex has identified this segment of its supply chain as carrying the highest Modern Slavery Risks overall. Nonetheless, Conifex believes that this risk is effectively mitigated, as explained below.

Conifex mitigates this risk by entering into contracts consistent with customary international shipping practices with large, well-known shipping and logistics service providers which contain representations, warranties and covenants requiring such service providers to comply with all applicable laws. Additionally, Conifex performs due diligence on its prospective shipping and logistics partners to evaluate their suitability through site visits, credit and supply chain reference checks and other steps to evaluate their business assets and credibility.

Remediation Measures

Conifex did not discover nor was made aware of any instances of Modern Slavery Risks in its operations and supply chains during the financial year ended December 31, 2023 and, consequently, no remediation measures were required.

Training

Conifex requires new employees to participate in mandatory training on the Code of Conduct and, following adoption thereof, the Human Rights Policy will form a part of new employee onboarding.

All of our employees who are engaged in the procurement of supplies and services are, following adoption thereof, required to familiarize themselves with the Supplier Code. Certain of our key employees who are engaged in the procurement of supplies and services will receive personalized training on the Supplier Code as part of their onboarding.

Assessing Effectiveness

Our Corporate Governance and Human Resources Committee is responsible for assessing the overall effectiveness of our corporate governance policies, including the Code of Conduct and Human Rights Policy.



Conifex primarily assesses the effectiveness of its policies and due diligence processes relating to Modern Slavery Risks through monitoring and evaluating concerns raised through its Code of Conduct. Conifex also provides its employees a forum to raise concerns through regular, confidential employee engagement surveys, the results of which are used to inform updates to Conifex's policies and changes to the workplace. To date, no issues relating to Modern Slavery Risks have been raised through the Code of Conduct nor any employment engagement survey.

Conifex continually evaluates the performance of our suppliers and service providers, including their compliance with our Code of Conduct, to help confirm that Conifex's business relationships align with its strategic objectives and core values. We document instances of non-compliance by our suppliers and service providers, including violations of our Code of Conduct, and will consider such non-compliances as we engage such supplier or service provider for future projects or, in some circumstances, terminate our business relationship with such supplier or service provider. Following adoption of the Human Rights Policy and the Supplier Code, Conifex will also require that its suppliers and service providers are in compliance with the Human Rights Policy and the Supplier Code.

Steps Taken in 2023

Conifex has taken the following steps during the year ended December 31, 2023 to prevent and reduce the risk that forced labour or child labour is used in Conifex's production of goods:

- continuing to implement the policies and mandated due diligence processes described in this Report;
- providing mandatory training on the Code of Conduct to new employees;
- requiring that existing employees provide an annual acknowledgement that they have read and are complying with the Code of Conduct; and
- delivering contract management training to facilitate Conifex's entry into appropriate contracts with its suppliers and service providers, which require performance standards including compliance with all applicable laws and regulations.

Conifex intends to continue to review and update its policies, procedures and processes to maintain appropriate safeguards against the Modern Slavery Risks in its business and supply chains. Conifex will also continue to implement its training processes to empower all employees to identify and report suspected instances of Modern Slavery Risks in the course of their employment at Conifex.

Attestation follows on the next page.



Attestation

This Report has been approved by the board of directors of Conifex Timber on behalf of itself and Conifex Mackenzie.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this Report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

ATTESTED this ____ day of May, 2024.

By order of the Board of Directors

A handwritten signature in blue ink that reads "Ken Shields".

Ken Shields

Chair, Board of Directors
Conifex Timber Inc.

I have authority to bind the Company.